HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2014

Highlights

- MLS® sales will recover at a moderate pace in 2014.
- The resale market will remain in balance; price growth to moderate.
- The starts activity will ease off with both single-detached and multi-unit homes contributing equally to this decline.

Figure 1

Source: CMHC (Starts Survey); f= CMHC Forecast

The forecasts included in this document are based on information available as of April 30, 2014.

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New Home Market: Multi-Unit Homes Will Lead Construction Activity

New construction in Greater Sudbury will ease off by eight percent to 395 units in 2014 followed by a relatively strong six percent growth in 2015. Single-detached starts will continue to capture a growing share of activity. However, in terms of growth, multi-unit starts activity will accelerate faster than single-detached homes. The construction activity for semi-detached and row homes remained sluggish throughout 2013. The pent-up demand for these affordable dwelling types and higher cost to construct is expected to entice developers to build more cost-efficient multi-unit homes.

Single-detached homes are still an attractive choice for repeat buyers looking for more space and customized designs. Yet, the demand from these mature buyers for single-detached homes is dissipating due to higher prices and smaller equity in existing homes. Single-detached starts are expected to edge lower by nine percent to 190 units in 2014. A minor recovery is expected in 2015 for single-detached starts with five percent growth to 200 units.

The inventory of completed and unabsorbed units remains low at any given time in Sudbury as most of the new homes are pre-sold. Moreover, there is a shorter time lag between issuance of permit and the actual start of the construction.

Currently, there is no pressure on new homes supply as the completed and unabsorbed inventory has only two single-detached homes and sixteen multi-unit homes at the end of first quarter of this year.

Higher cost to build along with the recent proposed increases in municipal development charges are expected to push up the average price for absorbed single-detached homes by eight percent in 2014. In order to keep prices at competitive level with resale market, cost saving strategies by developers/builders such as smaller lot sizes, reduction in property features, etc., will restrict price increase to four percent in 2015.

Existing Home Market: Sales will Edge Higher; Price Growth to Moderate

Existing home sales in Greater Sudbury are expected to recover over the course of 2014 after inclement weather dampened sales during the first quarter with a five per cent year over year decline. On an annual basis, MLS® sales are forecast to grow at a modest rate of 1.8 percent in 2014. As economic recovery gains ground next year, the stronger housing demand will further strengthen existing home sales which are forecast to grow by 2.1 percent in 2015.

Supporting factors such as historically low interest rates, stable job markets, and relatively less expensive existing homes versus new construction housing, should support the activity from first-time buyers and downsizers in the resale market over the forecast horizon.

The pressure on non energy commodity prices resulted in the slowdown in Greater Sudbury's local economy in 2013. No new large capital investment in mining industry was announced last year. However, the timely completion of ongoing capital projects like the new Totten mine and the upgrade to the Clarabelle mine is a testament that the importance of mining industry in Greater Sudbury has not ebbed. Mining sector created

Figure 2

Source: CREA(MLS®); f=CMHC Forecast
MLS® is a registered trademark of the Canadian Real Estate Association

additional six hundred jobs in the past year along with eleven hundred jobs generated by high income paying sectors like health and public administration. This will exert upward pressure on housing demand.

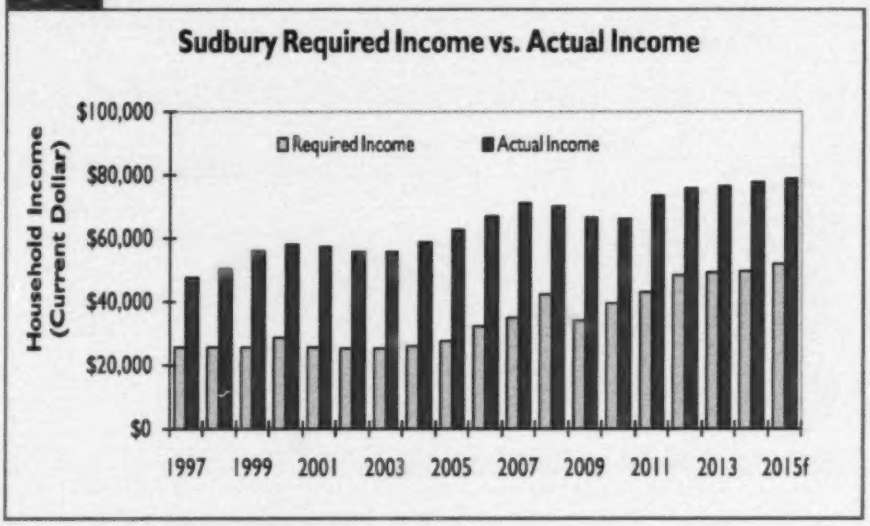
Given an expected improvement in sales activity in the next two years, the existing homes market will be characterized by strong balanced market conditions where neither buyers nor sellers have the upper hand. Since the resale market in Greater Sudbury is expected to remain in balanced territory, the average MLS® price is expected to grow at a slower pace by 1.3 percent in 2014.

First time home buyers looking for less expensive homes and passive demand from repeat buyers will keep price increase in check next year. The average MLS® price is expected to post a modest annual increase of one percent in 2015. Nonetheless, no significant change in the homeownership affordability is projected for 2014 and 2015. While prices are predicted to grow at a modest pace, required income to actual income will be maintained at a stable level this year as average household incomes will remain relatively healthy.

Rental Market: Demand from Younger Population to Lower Vacancy Rates

Greater Sudbury's vacancy rate for apartments with three units and over increased to 3.4 percent in October 2013 from 2.7 percent in October 2013. This is the highest vacancy rate since 2004 and reversed the downward trend which began in 2011. CMHC expects the vacancy rate to decline this fall to three percent and to 2.9 in October 2015.

Figure 3



Source: CMHC, Statistics Canada, CREA

Three big purpose built rental projects which started in 2013 are expected to complete in 2014 bringing additional supply of rental units to the market. Nevertheless, rental demand in Greater Sudbury is expected to outstrip supply in 2014 and 2015.

The unemployment rate for 15-24 year age group has been on the decline in the past year. Moreover, the initiation of different skill development programs by the municipality will help young job seekers in finding employment in Sudbury. These factors will support household formation for 15-24 year age group leading to higher rental demand. Burgeoning enrolment in Sudbury's post secondary educational institutions supported by international students, is putting pressure on the on-campus student residences. This will lead to a spill-over effect of rental demand to the private rental market.

A higher vacancy rate in recent years has given more choices for renters and a competitive environment for landlords in the rental market. The average rent for two bedroom apartments is forecast to increase by less than one percent to $920 in 2014. Relatively tight rental market in 2015 will boost average rent for two bedroom apartments in Sudbury to $930.

Economic Trends: Unemployment Rate to Moderate

Continued sluggish global demand for Sudbury's key exports, copper and nickel, kept growth of local economy in check for most part of the past year. Recent trends in commodity markets are indicating price growth for copper and nickel in the first quarter of 2014.

Signing of a regional framework agreement between the Government of Ontario and the chiefs of the Matawa First Nations on future development of 'Ring of Fire' project has brought back interest in Sudbury's mature mining service and supply sector. Moreover, a few large capital projects are expected to break ground in Sudbury which will help

churn activity in the local economy. These projects include Sudbury airport expansion, campus upgrade and second phase of School of Architecture for Laurentian University, Sudbury Arena, and new transit garage and maintenance facility.

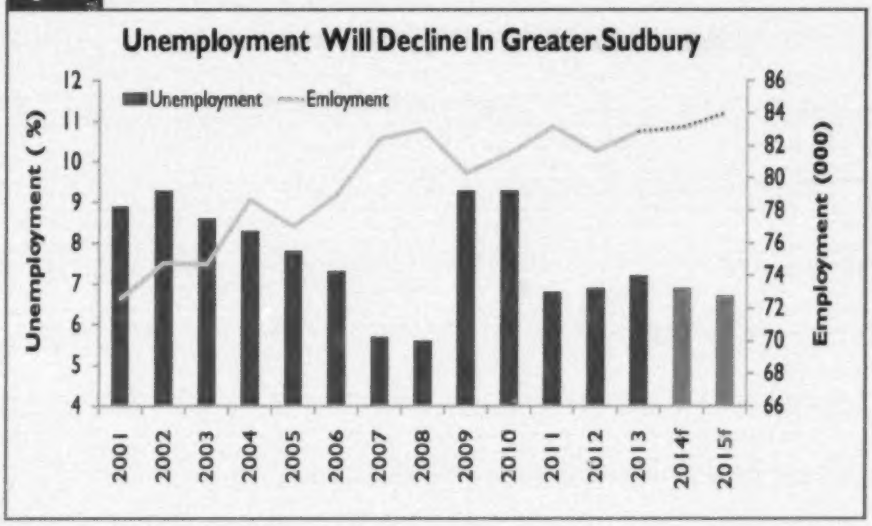
The unemployment rate in Greater Sudbury is forecast to moderate to 6.9 percent by the end of this year and to 6.7 percent by the end of 2015. Goods-producing industries like mining, manufacturing and construction are expected to re-start adding jobs in next two years after a relatively quiet year in 2013.

Sudbury has seen above inflation increase in average weekly earnings with two percent growth in the last year. This real increase in income will support future housing demand as propensity to buy a house is higher for higher income earners.

A lower overall unemployment rate and more job opportunities in goods-producing sector, generally representing high income jobs, are expected to lift up average weekly earnings in Sudbury this year and the next. The average weekly earnings in Greater Sudbury is forecast to increase by 1.25 percent this year and by 1.68 percent in 2015.

Full-time jobs as a proportion of total employment have increased in Greater Sudbury. Full-time jobs are at the second highest level in twenty years. Part-time jobs, on the other hand, are on the decline. Since full-time jobs are more stable and generate higher income, they will support consumer spending and housing demand.

Figure 4



Source: Statistics Canada; f=CMHC Forecast

Mortgage Rate Outlook

Mortgage rates to see gradual and modest increases by the end of 2015, but will remain low by historical standards

- Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing market activity over the forecast horizon.
- According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

Mortgage rates		
1 Year	Q1 2014	3.14
	Change from Q1 2013	0.14
	2014 (F)	3.00 - 3.50
	2015 (F)	3.20 - 4.25
5 Year	Q1 2014	5.15
	Change from Q1 2013	-0.06
	2014 (F)	5.00 - 5.50
	2015 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2014 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Short term mortgage rates are expected to remain at historical low levels which will continue to support housing demand.
Employment	Employment in Sudbury has been stable. Lower unemployment sustained by more full time positions will continue to support demand for all types of housing
Income	Average weekly earnings in Sudbury are expected to remain strong over the forecast horizon.
Population	Positive in-migration and slower youth out-migration will stimulate demand for all types of housing in 2014; specifically rental accommodations.
Resale Market	Resale market conditions for 2014 and 2015 are expected to be balanced. MLS® sales will recover in rest of 2014 and will keep this upward trend in 2015.
New Home Market	Housing starts are expected to decline in 2014 but will edge higher in 2015.

Forecast Risks

This outlook is subject to some risks, including:

- Canadians are still accumulating debt, albeit at a stable pace. Nonetheless, levels of household debt remain relatively high. With historically elevated house prices in some urban centres, these factors have made the Canada's economy more vulnerable to some economic shocks. For instance, if a sharp increase in interest rates or a large deterioration in employment were to occur, some of the more heavily indebted households could be forced to liquidate some of their assets, including their home. This could put downward pressure on house prices and, more generally, on housing market activity. Although this risk can arise in the shorter term, its impact would not be immediate on most indebted households because of the prevalence of fixed mortgage terms.
- The economies of China and other emerging-market countries remain vulnerable to tightening credit conditions and political uncertainty. This could affect the global economic recovery and world financial system. In turn, this could negatively impact demand for Canadian exports, contributing to a weakening of the Canadian economy and potentially lower demand for housing.
- A stronger than expected U.S. economic growth could positively impact Canadian economic growth, contributing to a higher level of activity in Canada's housing markets.

Forecast Summary Greater Sudbury CMA Spring 2014							
	2011	2012	2013	2014f	% chg	2015f	% chg
New Home Market							
Starts:							
Single-Detached	321	294	208	190	-8.7	200	5.3
Multiples	274	242	223	205	-8.1	220	7.3
Semi-Detached	40	48	28	40	42.9	45	12.5
Row/Townhouse	54	29	7	35	**	35	0.0
Apartments	180	165	188	130	-30.9	140	7.7
Starts - Total	595	536	431	395	-8.4	420	6.3
Average Price ($):							
Single-Detached	372,831	383,665	427,291	461,500	8.0	480,000	4.0
Median Price ($):							
Single-Detached	366,900	369,900	422,950	450,000	6.4	465,000	3.3
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	0.1	1.3	0.9	1.1	-	1.2	-
Resale Market							
MLS® Sales	2,507	2,478	2,308	2,350	1.8	2,400	2.1
MLS® New Listings	4,354	4,177	4,448	4,250	-4.5	4,478	5.4
MLS® Average Price ($)	229,485	240,312	245,307	248,500	1.3	251,000	1.0
Rental Market							
October Vacancy Rate (%)	2.8	2.7	3.4	3.0	-0.4	2.9	-0.1
Two-bedroom Average Rent (October) ($)	881	915	914	920	-	930	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.50	-	3.20 - 4.25	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	83,200	81,700	82,900	83,100	0.2	84,000	1.1
Employment Growth (%)	2.1	-1.8	1.5	0.2	-	1.1	-
Unemployment rate (%)	6.8	6.9	7.2	6.9	-	6.7	-
Net Migration	61	229	33	100	**	300	**

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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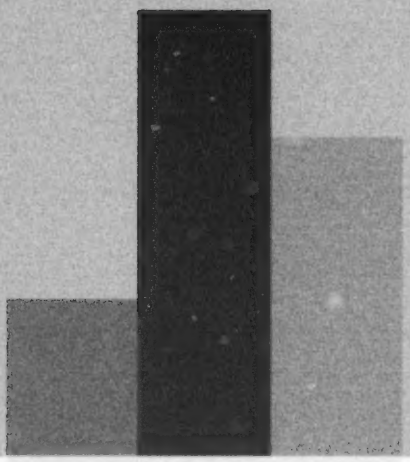

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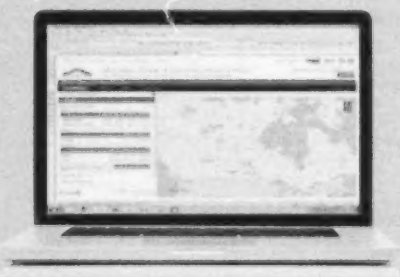

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